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IMPROVEMENTS NEEDED IN THE NUCLEAR REGULATORY COMMISSION'S OFFI--ETC(U)
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BY THE COMPTROLLER GENERAL

Report To The Congress OF THE UNITED STATES

Improvements Needed In The Nuclear Regulatory Commission's Office Of Inspector And Auditor.

To help the Nuclear Regulatory Commission (NRC) carry out its responsibilities, a special office of Inspector and Auditor was created in April 1975 to independently review and appraise all NRC operations. This office, in essence, was to provide the Commissioners with oversight over NRC programs and activities and recommend corrective actions.

GAO found that the Office of Inspector and Auditor has not been using proven management techniques in scheduling and carrying out its work. These techniques range from systematic planning and prioritization to timely and consistent followup on work. If such techniques were used, it would result in a more orderly management approach and lead to higher quality reports and a better use of staff resources.

The independence of the Office of Inspector and Auditor needs to be strengthened. In GAO's view, this only may be possible if NRC accepts and implements the recommendations contained in this report. GAO also suggests that Congress consider establishing a statutory Inspector General office at the NRC. Such an office could help ensure that the Congress and the Commissioners receive objective information on problems within the Commission and enhance public trust in the regulation of commercial nuclear power.

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

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To the President of the Senate and the
Speaker of the House of Representatives

This report discusses the improvements needed in the Nuclear Regulatory Commission's Office of Inspector and Auditor. Also, we raise the possibility of Congress establishing an Office of Inspector General at the Commission. Such an office will ensure that the Congress and the Commissioners receive objective information on problems within the Commission and enhance public trust in the regulation of commercial nuclear power.

We are sending copies of the report to the Director, Office of Management and Budget; and to the Chairman, Nuclear Regulatory Commission.

Shilton J. Acosta
Acting Comptroller General
of the United States

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COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

IMPROVEMENTS NEEDED IN THE
NUCLEAR REGULATORY COMMISSION'S
OFFICE OF INSPECTOR AND AUDITOR

D I G E S T

The Nuclear Regulatory Commission (NRC) is responsible for regulating the commercial use of nuclear power in the United States with the goal of preserving public health and safety and protecting the environment. To help NRC carry out its responsibilities, an Office of Inspector and Auditor (OIA) was created in April 1975 to provide the Commissioners with oversight over NRC programs and activities, and recommendations for corrective actions. (See p. 1.)

COMPARISON OF OIA WITH AN
INSPECTOR GENERAL OFFICE

Although NRC was not included in the Inspector General Act of 1978, GAO believes that internal audit offices, such as OIA, should abide by the spirit of the act. OIA is supposed to eliminate waste, fraud, and inefficiency within NRC by functioning in an independent audit capacity. Independence, in this case, should mean freedom from any vested interests to report problems directly to the head of the agency.

OIA is organizationally very similar to an Inspector General office. It has Commission-level stature within NRC and serves as the single focal point for both internal audits and investigations. Additionally, OIA has been given a sufficient degree of latitude to carry out its mission.

Unlike an inspector general, however, the director of OIA is not appointed by the President and confirmed by the Senate. Also, OIA does not report periodically to the Congress on its activities or the problems, abuses, and deficiencies in NRC programs. Instead, the director of OIA is appointed by the Commissioners and OIA's reports are internal management documents that are not generally released outside of NRC. OIA has, however, on occasion provided some of its audit and

investigative reports to Senators and Congressmen who have requested them. (See p. 2.)

OPPORTUNITIES TO IMPROVE THE
MANAGEMENT OF OIA

To be effective, any audit organization must have (1) a capable, professional, and motivated staff, (2) an adequate planning and prioritization system, (3) a set of policies, procedures, and mechanisms for guiding and monitoring the staff, and (4) a system for following up on past work. Weaknesses in any one of these areas contribute to work which can be less than satisfactory in quality, timeliness, and impact. Such weaknesses presently exist in OIA's operations.

OIA has not followed Office of Management and Budget requirements and GAO guidance in planning and prioritizing its work. As a result, OIA has focused too much of its attention on administrative and personnel matters rather than on the more important NRC programs and has not concentrated its investigative resources on work aimed at eliminating fraud and waste within NRC. Rather, OIA investigators told us they devote a large portion of their time to evaluating non-appropriate employee complaints and equal employment opportunity allegations. While these are important areas, GAO believes that these two areas should be assigned to some other NRC office to allow the investigative staff to better use its experience to pursue fraud and waste cases. Further, OIA should avoid assigning auditors to investigative work and provide for more effective coordination between the audit and investigative staffs in identifying possible assignments. (See pp. 5 to 13.)

Control over assignments also needs to be improved which, in turn, will increase the efficiency and productivity of the OIA staff. OIA does not have its own audit or investigative manual setting forth policies, procedures, and guidelines for carrying out its work, even though it said, in 1975, that its immediate plans include the development of such a manual. As a result, audit and investigative reports lack consistency, and investigative reports are issued with no conclusions or recommendations. (See pp. 14 to 16.)

In addition, a formal system for monitoring the progress of assignments is needed. When OIA initiates audit assignments, there are no staffday requirements or milestones for completing the work. Job reviews and staff meetings also have not been held. Thus, top management does not have a good basis for monitoring job progress, for making any necessary changes to the scope and direction of an assignment, and for holding staff accountable for completing its work in a timely manner. (See pp. 16 to 18.)

Reporting a finding, observation, or recommendation should not end OIA's concern with a matter. GAO found that OIA needs to establish a time frame for following up on its audit reports. Further, it needs to see to it that office directors respond in writing to OIA investigative reports as required by NRC regulations. (See pp. 18 and 19.)

Implementation of these management techniques will, in GAO's view, result in a more orderly management approach and lead to higher quality reports and a better use of staff resources. Additionally, OIA will have a greater impact on important NRC programs and key management decisions.

During the review, OIA management said that it does not need to implement these formal management techniques because of its small number of staff. GAO believes, on the other hand, that OIA's limited resources and heavy workload make it even more important to properly plan, prioritize, and control audit activities. In GAO's view, this is the best way to ensure that the right work is being done at the right time.

Recommendations to the Chairman,
Nuclear Regulatory Commission

To improve OIA's effectiveness, GAO recommends that the Chairman, NRC, require the Director of that office to

- develop a systematic planning and prioritization process for both audit and investigative work which complies with Office of Management and Budget criteria and GAO guidance;
- concentrate its investigative resources on work aimed at eliminating fraud and waste within NRC;

- avoid assigning auditors to investigative work;
- establish a process of coordination between the audit and investigative groups in identifying possible assignments, and clearly communicate that process to the OIA staff;
- develop formal guidance for the staff to follow in carrying out its work;
- institute a formalized system of control over assignments where milestones and staff resources are established for completing critical steps and periodic job reviews are held to evaluate the status of assignments; and
- establish and adhere to requirements regarding the follow up on audit reports and see to it that office directors respond in writing to OIA investigative reports.

In addition, GAO recommends that the Chairman, NRC, explore the possibility of assigning non-appropriate employee complaint cases and equal employment opportunity allegations to some other NRC office. This will allow the OIA investigative staff to give greater attention to eliminating fraud and waste within NRC. (See p. 21.)

In commenting on GAO's draft report, NRC expressed general agreement with these recommendations. There were, however, two exceptions. NRC objected to GAO's recommendations that it avoid assigning auditors to investigative work--saying that it has not done so recently--and that the Chairman, NRC, explore the possibility of assigning employee complaint cases and equal employment opportunity allegations to some other NRC office--saying that it handles so little of this work.

After a careful review of the material provided in support of NRC's objections to these recommendations, however, GAO continues to believe these recommendations have merit. Regarding the first recommendation, GAO updated the information in the report to show that, while improvements have been made, the balance between audits and investigations could be further improved to more accurately reflect the mix of OIA auditors to investigators.

Concerning the second recommendation on employee complaint cases and equal employment opportunity allegations, GAO was unable to determine the amount of time spent on these two areas because such records are not maintained. However, the OIA investigators told GAO that these two areas consume a large portion of their time. Although both areas are important, GAO believes neither makes maximum use of the 5 OIA investigators' background and experience. By assigning such work to some other NRC office, it could allow equal emphasis to be given to these two areas and allow OIA's small investigative staff to pursue more appropriate work, namely, combating fraud and waste. (See pp. 21 and 22).

OIA'S INDEPENDENCE NEEDS TO
BE STRENGTHENED

Organizationally, OIA is independent but functionally GAO has found examples where OIA's independence needs to be strengthened. The problem centers around how OIA develops and processes reports on its work. "preliminary" drafts on its audits are routinely sent to NRC program offices to reach agreement before the official draft is forwarded for comment. This has placed the OIA staff in an awkward position because OIA has been reluctant to issue reports when a program office is in disagreement with the report. Because these activities occur before the final report is sent to the Commission, the Commissioners are not fully aware of the situation nor are they getting completely objective appraisals of NRC's programs or activities. (See pp. 24 to 27.)

GAO found certain instances where findings, conclusions, and/or recommendations were revised or deleted primarily because NRC program officials disagreed. Also, GAO discovered that OIA routinely allows the program office to exceed deadlines for commenting on its reports particularly if a disagreement or a misunderstanding exists. Further, GAO found other instances where OIA reviewed and approved the program office's comments before accepting and including them in its reports. Lastly, GAO noted several instances where OIA supplied staff to work on investigations with other program offices. Two of these investigations were signifi-

cant--the Three Mile Island accident and the South Texas Nuclear Project. These investigations created a possible conflict of interest for OIA's staff because the office OIA was working with could have been at fault. (See pp. 27 to 30.)

The preceding points, when taken collectively, raise the issue of greater independence at OIA. This, in GAO's view, only may be possible if NRC accepts and implements the recommendations contained in this report. GAO also considered the option of Congress establishing a statutory Office of Inspector General at NRC. Such an office could help ensure that the Congress and the Commissioners receive objective information on problems within NRC and might enhance public trust in the regulation of commercial nuclear power. Also, because of the accident at Three Mile Island, the public has an increased desire for visibility regarding NRC activities. (See pp. 30 to 32.)

Recommendations to the Chairman,
Nuclear Regulatory Commission

GAO recommends that the Chairman, NRC

- initiate immediate action to establish a more formal process for seeking agency officials' comments on OIA draft reports. Any exception to this formal process--such as the use of an informal draft to obtain comments--should be clearly disclosed in the final report.
- direct OIA to issue its reports if program offices are untimely in providing their comments and require OIA to reflect in its reports any changes made based on program office comments.
- discontinue the practice of OIA conducting joint investigations with other NRC offices.

In commenting on our draft report, NRC expressed general disagreement with two of these three recommendations. Specifically, NRC disagreed with our recommendation that it discontinue the

procedure of sending informal draft reports to agency officials for comment on the grounds that GAO had not supported the finding that such a process has compromised OIA's independence. Also, NRC disagreed with our recommendation that OIA discontinue the practice of conducting joint investigations with other NRC offices by denying that OIA has conducted joint investigations.

In each case, NRC does not so much dispute the recommendation as it questions whether the information presented in the report justifies the recommendation. For both cases, GAO believes sufficient information is presented in the report to support its position. (See p. 34.)

MATTERS FOR CONSIDERATION
BY THE CONGRESS

In view of the critical importance of effective and efficient regulation to the future of commercial nuclear activities, Congress should consider establishing an Office of Inspector General at NRC.

In commenting on this, each of the four Commissioners expressed to GAO their reservations about creating an Inspector General office at NRC. Their reservations, it seemed to GAO, stemmed from a desire to retain the OIA office as a necessary management extension of themselves in overseeing the programs and activities of NRC. This, GAO believes, is an understandable position. However, this same position could be used to argue against the creation of an Inspector General office at any agency.

More to the point, the establishment of an Inspector General office at NRC must be based on two factors--the relative independence exhibited by OIA and the nature of NRC's mission. In the aftermath of the Three Mile Island accident, such an office might improve oversight and help ease concerns over the relative safety of commercial nuclear power. (See pp. 34 and 35.)

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ABBREVIATIONS

GAO	General Accounting Office
NRC	Nuclear Regulatory Commission
OIA	Office of Inspector and Auditor
OMB	Office of Management and Budget

CHAPTER 1

INTRODUCTION

The Nuclear Regulatory Commission (NRC) is responsible for regulating the commercial use of nuclear power. This involves (1) licensing the construction and operation of nuclear power-plants, (2) safeguarding nuclear material from theft or sabotage, and (3) ensuring that radioactive wastes are safely managed and isolated from the environment. NRC must constantly make decisions regarding these activities with the goal of preserving public health and safety and protecting the environment.

To help NRC carry out its responsibilities the Commissioners 1/ (in April 1975) created an Office of Inspector and Auditor (OIA) to independently review and appraise all NRC operations. OIA, in essence, was to oversee NRC programs and activities and provide the Commissioners with recommendations for corrective action.

Organizationally, OIA is headed by a director who reports directly to the Commissioners. 2/ He is supported by two assistant directors--one responsible for audits and one for investigations. The audit group is composed of an administrative, program direction, and research branch; a licensing and standards branch; and a safety and enforcement branch. Excluding the director and assistant director, there are 12 professional staff persons in the audit group. Its responsibilities are to audit financial and compliance matters, efficiency and economy questions, and program results. In addition, the audit group is responsible for following up on its recommendations to ensure that they have received serious management consideration and that satisfactory corrective action has been taken. As of October 1980, OIA's audit group had issued 66 reports.

The investigative group, on the other hand, conducts investigations of possible violations of various Federal statutes. It also reviews NRC operations to identify conditions conducive to fraud and abuse or other irregularities and examines employee misconduct, discrimination, and complaint cases. With a staff of 5 professional persons, this group processed approximately 180 cases between April 1975 and October 1980.

1/NRC is governed by five Commissioners appointed by the President and approved by the Senate.

2/Since its inception, OIA has had only two directors, the second of which assumed his position in November 1978.

COMPARISON OF OIA WITH AN INSPECTOR GENERAL OFFICE

Although the Inspector General Act of 1978 did not establish an Office of Inspector General for NRC as it did for 12 other Federal departments and agencies, we believe that internal audit offices, such as OIA, should abide by the spirit of the act. OIA is supposed to eliminate waste, fraud, and inefficiency within NRC by functioning in an independent audit capacity. Independence, in this case, means freedom from any vested interests to report problems directly to the head of the agency.

OIA is organizationally very similar to an Inspector General office. It has Commission-level stature within NRC and serves as the single focal point for both internal audits and investigations. Additionally, OIA has been given a sufficient degree of latitude to carry out its mission. For instance, it (1) is located outside the program office structure, (2) reports directly to the Commissioners of NRC, and (3) has flexibility in selecting and carrying out assignments.

Unlike an inspector general, however, the director of OIA is not appointed by the President and confirmed by the Senate. Also, OIA is not required to report semi-annually to the Congress on its activities or the problems, abuses, and deficiencies in NRC programs. Instead, the director of OIA is appointed by the Commissioners and OIA's reports are internal management documents that are not generally released outside of NRC. OIA has, however, on occasion provided some of its audit and investigative reports to Senators and Congressmen who have requested them.

OBJECTIVE, SCOPE, AND METHODOLOGY

The main objective of this assignment was to evaluate the effectiveness of OIA. To do this, we used the criteria established for an Inspector General office. We attempted to determine whether OIA functions with a sufficient degree of independence and whether OIA's audits are aimed at promoting economy, efficiency, and effectiveness in NRC programs.

To determine if OIA is independent, we looked at how OIA prioritizes its work and whether outside parties, including the Commissioners, have an undue influence over the work OIA decides to undertake. To do this, we evaluated OIA's annual plans and discussed the work that is actually carried out with the OIA staff and management, as well as the major NRC offices affected by OIA's efforts. This process helped us to determine whether pressure was placed on the OIA staff to avoid possible controversial or sensitive areas within NRC. Finally, we selected and analyzed approximately 50 percent of OIA's audit and investigative reports to determine the changes made from draft to final form.

Where irregularities were noted, we reviewed OIA's support for the changes made and also discussed them with the OIA staff responsible for preparing the report.

Generically, we discussed the matter of OIA's independence with the NRC Commissioners, the present directors of NRC's five operational offices, OIA management, and officials from NRC's Office of General Counsel, Office of Policy Evaluation, Office of Management and Program Analysis, Office of Executive Director for Operations, Office of Equal Employment Opportunity, and Office of International Programs.

To determine whether OIA's audits are aimed at promoting economy, efficiency, and effectiveness, we looked at how OIA plans, prioritizes and monitors its work, measures its accomplishments, and follows up on its work. As criteria for determining this, we primarily used Office of Management and Budget Circular A-73 which provides guidance to the heads of executive departments and agencies on the audit of Federal programs and activities. We also used a program plan developed by GAO's Accounting and Financial Management Division, which provides a guide to evaluating an agency's internal audit activities, and the GAO's Policy and Procedures Manual for Guidance of Federal Agencies in the development of their accounting systems and internal auditing program. Additionally, we researched the existing literature on the reasons for enacting the Inspector General Act of 1978.

We also reviewed OIA annual reports, audit plans, administrative files, and workpapers. This helped us identify the goals and objectives of OIA and the success it has had in meeting them. The exercise also led to our developing a series of questions about OIA operations which we used during our interviews with the OIA management and staff.

There were, however, certain limitations to our work. While we evaluated the quality of OIA audit and investigative reports from the viewpoint of whether they were consistent and uniform and whether the conclusions and recommendations were supported by the facts in the reports, we did not redo individual audits or investigations. Such an approach was not practical. Also, since it was not a scientific statistical sample, we did not attempt to extrapolate our analysis of 50 percent of OIA's audits and investigations to other individual assignments undertaken by OIA. Rather, we reviewed a sufficient number of OIA's audits and investigations to gain an overall appreciation for OIA's performance.

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The following chapters provide the results of our review during which we noted several ways in which OIA's management and independence could be improved. We also found, however, that

OIA's staff, in general, is highly professional and interested in contributing to improved NRC operations and that OIA's coverage of NRC's administrative matters, efforts to place inspectors at nuclear powerplant sites, and automatic data processing operations have been commendable.

CHAPTER 2

OPPORTUNITIES TO IMPROVE

THE MANAGEMENT OF OIA

Any effective audit organization must have (1) a capable, professional, and motivated staff, (2) an adequate planning and prioritization system, (3) a set of policies, procedures and mechanisms for guiding and monitoring the staff, and (4) a system for following up on past work. Weaknesses in any one of these areas contribute to work which is lacking in quality, timeliness, and impact.

Using the above as a guide, our review showed that OIA has a highly professional staff. However, we also found a number of areas where changes could be made to improve OIA's management. Specifically, OIA needs to

- systematically plan and prioritize its operations to ensure adequate audit and investigative coverage of NRC's more important programs and missions;
- develop formal guidance and set realistic goals, objectives, and criteria to monitor the conduct of its audits and investigations; and
- follow up on audit and investigative findings to help guarantee that corrective actions are taken.

Taking these actions will, in our view, result in a more orderly management approach and lead to higher quality reports and a better use of staff resources. Additionally, OIA could have a greater impact on important NRC programs and key management decisions.

OIA management said, during our review, that it does not need to implement these formal management techniques because of its small number of staff. We believe, on the other hand, that OIA's limited resources and heavy workload make it even more important to properly plan, prioritize, and control audit activities. This process better ensures that the right work is being done at the right time.

The following sections discuss these points in more detail.

OIA PLANNING PROCESS NEEDS TO BE IMPROVED

The importance of good planning in any organization--including prioritizing work so the most important tasks are done first--is widely recognized. It is the cornerstone to good management and adds structure and direction to an organization. Without good

planning, an organization tends to tackle problems and situations on a day-to-day basis and thus has little assurance that it is producing the best returns in terms of staffdays expended, cost of assignments, or identification of potential problems.

Generally, OIA's planning process is very informal, does not follow Office of Management and Budget (OMB) requirements, and is not being used as an effective management tool. As a result, both the audit and investigative staffs in OIA focus primarily on administrative or personnel matters rather than on the more important NRC programs and regulatory issues. For example, of 66 audit reports issued as of October 1980, 60 percent looked at such things as travel, payroll and physical inventory within NRC. While these areas are important, we do not believe they warrant the degree of effort OIA has devoted to them in comparison to other audit areas.

In addition, OIA management tends to assign its staff to issues that are "most important" at the moment. Unfortunately, what is "most important" often changes, resulting in frequent staff reassignments and confusion among the staff as to the real priorities within the office.

More specifically, we found that OIA needs to

- fully comply with OMB requirements for planning and prioritizing audit assignments;
- concentrate more of its investigative resources on work to detect fraud and waste;
- determine the proper balance between its audit and investigative staffs and the role that each should play in reviewing NRC programs; and
- encourage effective coordination between its audit and investigative staffs.

In commenting on a draft of this report, OIA officials agreed that its planning process could be improved, but said that OIA planning was not as informal as we portray. In fact, OIA stressed that it presents to the Commission the programs it believes are important.

We, however, do not contend that the OIA planning process fails to present to the Commission the programs which it (OIA) believes to be important. Our position is that the rather informal OIA planning process does not focus on the principal NRC programs and regulatory issues nor does it establish priorities for doing the work. We believe that a more formalized and better documented planning process would better assure that OIA is doing the right work at the right time.

OIA needs to fully comply with
Office of Management and Budget
requirements

The value of good audit planning has long been recognized by the OMB and endorsed by GAO. For instance, OMB Circular No. A-73 requires all Federal agencies, at a minimum, to develop annual audit plans which reflect

- all the agency programs and operations subject to audit;
- the programs and operations selected for audit, with priorities and specific reasons for selection;
- the audit cycle or frequency of each audit, the locations to be audited, and why; and
- any anticipated benefits to be obtained from the audits.

GAO has stated that adequate planning is essential to identify the areas to be covered by the audit staff and to permit systematic scheduling of work and the best use of manpower. 1/

Since its creation in 1975, OIA has developed annual audit plans and submitted them to the NRC Commissioners. These plans list the titles of the assignments OIA intends to begin in the short- and long-term. The plans, however, do not list all the programs subject to audit, explain the criteria used to select and prioritize the assignment, discuss the frequency of audit coverage, or explain the anticipated benefits to be obtained from individual audits. In short, the plans do not fully comply with OMB requirements. As a result, the Commissioners do not have assurance that OIA's audit plans are adequately covering NRC's major areas of responsibility. More importantly, neither OIA officials nor the Commissioners could adequately explain why certain assignments were undertaken while others were not.

OMB Circular A-73 also requires that each agency identify the total spectrum of programs in need of audit attention. We found, however, that each of OIA's three audit branches establishes its own plans and priorities which are then meshed together into one overall OIA planning document. While this helps identify each branch's work priorities, it has not provided audit coverage of many important NRC programs and issues. For instance, of NRC's 19 principal program areas, we found that 10 had not been included in any of OIA's annual

1/"GAO Policy and Procedures Manual for Guidance of Federal Agencies" in the development of their accounting systems and internal auditing program.

planning documents. These 10 included such areas as spent-fuel storage, fire protection, unresolved safety issues, decommissioning and the health effects of low-level radiation.

More importantly, by using OMB guidance to prioritize work, we identified many additional NRC program areas that should have been labeled for immediate audit. Specifically, areas that have been neglected included (1) nuclear waste management, (2) nuclear powerplant security, (3) emergency planning for accidents at nuclear powerplants, and (4) the organizational duties and responsibilities of the NRC Chairman, Commissioners, and Executive Director for Operations. These (and others) are all important in terms of NRC public visibility, the nuclear regulatory process, and/or interest from Congress. Although GAO has done work in each of these four areas, many issues remain which deserve OIA audit attention.

According to the director, OIA, NRC has only recently developed a list of its 19 major program areas, and thus, OIA has not had the opportunity to include many of them in OIA's annual audit plans. Also, the director stated that his staff is too small to undertake a comprehensive planning and prioritization process. However, OIA has always been responsible (according to OMB criteria) for identifying and scheduling audits of the more important NRC programs. With a small staff, it is essential, in our view, that OIA adhere to that criteria.

In commenting on a draft of this report, OIA said the Commission in reviewing the OIA audit plan will, in the future, make a special point of considering the balance of work between administrative versus programmatic areas. OIA, however, defended the fact that 60 percent of its reports were in the administrative area. OIA said that administrative audits can be done twice as quickly as program result audits and OIA typically assigns its junior auditors to begin work in the administrative audit branch.

Although we do not dispute that administrative audits may be completed more quickly, we continue to believe that OIA is devoting too much of its efforts to the administrative area. Basically, it is our position and that of three of the four Commissioners that a majority of OIA's audit work should involve program results reviews. Further, we see no rationale in assigning junior auditors to administrative audits. In our view, junior auditors could make an equal contribution working on programmatic audits which, in turn, may lead to OIA issuing more reports on the principal NRC programs and regulatory issues.

OIA has not concentrated on work
that would detect fraud and waste

Office of Management and Budget Circular A-73 does not provide any guidance on conducting investigations. However, on December 13, 1978, the President directed that significant features of the

Inspector General program be extended throughout the Federal Government. Specifically, the President ordered that a special effort be made in each Federal agency to eliminate fraud, waste, and inefficiency. During our review, we found that OIA has not concentrated its work efforts accordingly.

OIA does not plan or prioritize its investigative assignments. Rather, OIA generally investigates every case that is referred to the Office. This has resulted in inadequate coverage in suspected areas where fraud, bribery, or other types of abuse may exist. While the OIA staff told us of ideas for such reviews, the heavy caseload (currently 50 cases for the 5 OIA investigators) and an over-emphasis on handling all employee complaints of discrimination or misconduct and equal employment opportunity allegations have kept them from undertaking such investigations.

For instance, in May 1978, OIA received allegations from a warehouseman that furniture and supplies were being taken by other NRC warehousemen for their own use or as gifts for others. Before the investigator assigned to the case could begin work, however, he was reassigned to an equal employment opportunity complaint. The investigation was never started and in January 1980, the case was closed primarily because the allegations were too old to construct a prosecutable case.

OIA officials, however, did not agree with us that the case was closed out because it was too old. They explained that the case was actually closed because two other warehousemen failed to corroborate the allegations. Based on our review of the records, these other warehousemen were not contacted until a year and a half after the allegations were made. According to an internal OIA memo, this period of time is too long to wait to interview people because of changed perceptions of witnesses due to changed situations and failing memories.

In another case, an OIA investigator found that as many as 100 NRC employees were eating free meals (sometimes 2 or 3 meals a day) while investigating the accident at Three Mile Island. Not only were these meals being supplied free of charge by the utility company under investigation but the NRC employees were charging NRC for the cost of meals on their travel vouchers. However, the investigator was not permitted to pursue this situation, because OIA management thought the matter was not that important and the staff was needed on higher priority work.

In commenting on this case, OIA management officials said they telephoned the NRC Controller's office and were advised that nothing in the Federal Travel Regulations require employees to make deductions for meals not provided by the Government. Consequently, they felt this situation was handled properly. We disagree.

First, NRC employees were allowed to accept free meals from a party it has responsibility for regulating--a potential conflict of interest situation--and second, NRC employees were permitted to claim a full travel allowance, including the price of meals, even though free meals were provided. NRC could have reimbursed the utility company for the free meals to prevent any appearance of a conflict of interest and required its employees to make deductions from their travel vouchers. Since it did neither, OIA should have followed up on the situation.

If OIA has established criteria for planning and prioritizing its investigative assignments, each of the two preceding examples may have received added attention. Because it did not, however, OIA management had to rely on its judgment for picking and choosing between assignments. This, we believe, places unnecessary pressure on OIA management to justify its selection of one review over another.

Part of the problem is also caused by a Commission requirement that OIA investigate all employee complaints of discrimination or misconduct and equal employment opportunity allegations. Although both of these areas are important, we believe the investigators' time could be better used in other work. Specifically, each of the five investigators has an expert law enforcement or related background that lends itself more to combating fraud and waste within NRC. The responsibility, in our view, for employee complaints and equal employment opportunity allegations could be reassigned to some other NRC office. However, because our review was limited to OIA, we did not attempt to determine what office that might be.

OIA management disagreed with this section of our report and said it had initiated 12 audits of areas most susceptible to fraud, waste, and inefficiency since December 1978. Also, management disputed whether an excessive amount of investigative time was spent on employee complaint cases and equal employment opportunity allegations. They provided us a listing of 28 cases that were closed in these 2 areas over the last 5 calendar years--about 6 cases per year.

We, on the other hand, do not deny that OIA has initiated, in the broadest possible sense, 12 audits that looked at fraud and waste. These audits, however, provided only a general management overview of potential fraud and waste areas in NRC. For instance, in one of the 12 audits, OIA reviewed NRC employee overtime and found that employees were being allowed to claim overtime with only vague support. It did not pursue specific examples for evidence of possible fraud or abuse, but merely recommended that employees be required to provide more justification of overtime. This type of review was typical of most OIA efforts to detect fraud or abuse of Federal regulations within NRC.

Additionally, the small number of employee complaint cases and equal employment opportunity allegations closed by OIA during the last 5 years is not indicative of the effort devoted to this type of work. Although we were unable to determine the amount of time spent on these areas because such records are not maintained, OIA investigators specifically told us such work consumed a large portion of their time. Further, the listing of 28 cases provided us by OIA does not include cases still pending from prior years.

OIA could maintain a better balance
between audits and investigations

In testimony on the Inspector General Act of 1978, we said that significantly more money could be saved by maintaining a balance in which more attention is given to audits than to investigations. We also said that if internal audit organizations directed most of their efforts toward investigations, they would be overwhelmed by the sheer number of individual cases they must pursue. This statement, we have found, accurately describes the situation that has existed at OIA.

Because of the large caseload of investigations, it is not uncommon for OIA to assign auditors to handle investigations. For instance, OIA's staff for the previous 3 calendar years included a mix of auditors to investigators of 2.2 to 1, 2.3 to 1, and 2.6 to 1, respectively. When considering staff time spent on audits versus investigations, however, the ratio for the previous 3 calendar years was .4 to 1, 1.1 to 1, and 1.7 to 1. While OIA has shown improvement in balancing audit time to investigations, it could still be improved to more accurately reflect the mix of auditors to investigators.

In fact, auditors have been pulled off management audits considered very important internally to carry out investigative work. This negates any planning efforts that might have occurred and demonstrates, in our view, the emphasis that OIA places on individual and often routine investigative matters at the expense of management audits and analyses. In addition, most investigations require people with special training and expertise, which OIA's auditors do not normally have.

To illustrate a situation in which auditors were assigned to investigations, two staff members told us the following example.

In December 1976, OIA initiated an audit of NRC's nuclear reactor inspection program. This was supposed to be OIA's definitive look at the area of inspection and enforcement and was considered a very important assignment within the office.

From December 1976 until October 1977, the two auditors visited each of NRC's five regional offices and contacted numerous NRC licensees and inspectors. In October 1977, however, the two auditors were reassigned to work on two

special investigations and did not return to the inspection audit until the fall of 1979. By that time the inspection program had significantly changed, particularly with the advent of the resident inspector concept. Although a report was subsequently issued (in July 1980), it only provided information on the inspection program as it existed prior to July 1978. In other words, OIA took two years to issue a report on a program that largely did not exist any more.

Commenting on this example, the two staff members said that the special investigations, at the time of the staff reassignment, had higher priorities. Yet they could not point to any specific criteria to support that view. More importantly, a report on one of the two special investigations (which was so important in October 1977) has not yet been issued, even though work on that particular investigation was completed in June 1979.

Regarding this example, OIA officials, in commenting on our report, said they could not comment for prior OIA management as to why decisions were made. Still, OIA pointed out that the routine reassignment of auditors to investigations is against current OIA philosophy and has not happened recently.

During our review, we noticed OIA has recently tried to avoid assigning auditors to work on investigations. However, such situations have occurred recently, as evidenced by the 1980 ratio of audits to investigations. Thus, further improvement is needed.

Need for better coordination between
OIA's audit and investigation staffs
in planning efforts

From our experience, successful audit planning often involves the exchange of ideas between staff members. In fact, it is very common for one audit or investigation to lead to another as information is developed, analyzed, and discussed among the staff. Thus, we expected the same to be true of OIA, especially because of its small number of employees and centralized working quarters.

Instead, we found few instances where information developed during an audit or investigation led to additional work. This was due primarily, we believe, to two reasons. First, and possibly most important, OIA's management does not have a forum which fosters the exchange and use of staff ideas. Secondly, each staff believes there is an artificial barrier between OIA's audit and investigative functions which inhibits the free exchange of information between the two groups. In fact, we found that audit or investigative suggestions from one group to the other were usually ignored or otherwise discounted.

For example, in September 1980, the OIA investigative staff became aware of a potential weakness in NRC's powerplant security program. It involved the use of temporary security personnel who had received neither firearms training nor background screenings. More importantly, one of the temporary personnel had an apparent history of mental problems and had been caught trying to smuggle a firearm into the plant.

Thus, the investigative staff sent a memo to the audit group suggesting that it review the situation on a more generic basis. The audit group responded with a memo of its own, in essence indicating that the responsibility for further work belonged to the investigative staff. Subsequently, neither staff did anything about the potential problem. Because of its serious implications, therefore, we briefly reviewed this situation further.

We found that after the security person was caught, NRC determined that the person was a temporary employee and, as such, had no background screening prior to employment. This, however, was apparently permissible under NRC requirements. An NRC regional office official told us that measures have been taken to prevent a similar occurrence at the site, but nothing has been done to keep it from happening at other nuclear powerplants. In a related issue, the NRC official said a newspaper man fraudtently posed as a temporary employee and obtained access to the Three Mile Island nuclear powerplant after the accident.

We believe the non-screening of temporary employees deserved some sort of audit attention because of its possible ramifications. Yet, OIA had no system in place to ensure that this received audit coverage. More importantly, the OIA staff told us of similar suggestions made by one group to the other which did not result in further work or follow up.

OIA management, in commenting on our report, agreed that its process is informal and not well documented and that its audit and investigative staffs were sometimes confused as to their responsibilities in handling suggestions. However, OIA management did not believe that the example cited above adequately discloses the steps taken by them to assess the issue. In fact, they told us that further discussions were held and a decision was made to conduct an audit of reactor safeguards some time after 1981. This was not done, however, until after we had notified OIA management about our concern.

In addition, we provided OIA orally with a list of 10 other examples in which we believed suggestions were ignored or otherwise discounted between OIA's audit and investigative groups. OIA did not comment on any of these other 10 examples in responding to this report.

OIA NEEDS A SYSTEM TO GUIDE AND MONITOR ASSIGNMENTS

OMB Circular No. A-73 requires that each internal audit office implement policies, plans, and procedures to guide its staff in conducting and reporting on assignments. Our experience in auditing the programs and activities of Federal agencies has shown that explicit instructions are also needed to trace the direction and progress of assignments, and ensure that reports are consistently written and supportable. At the same time, it is important that management and staff agree beforehand on review objectives and the key milestones or dates when the work will be completed. In this respect, OIA has not developed any formal guidance for its auditors and investigators or established a system to effectively monitor job progress.

OIA auditors and investigators need more formal guidance

Based on our understanding of the OMB circular, each internal audit group should develop a manual which, among other things, discusses the group's audit authority and responsibility, objectives, policies, general scope of work, standards of performance, and reporting requirements. Although OIA committed itself in September 1975 to the immediate development of such an audit and investigative manual, it has not done so yet. The failure to develop formal guidance in a manual has, in our view, contributed to wasted audit effort, wasted time in drafting and processing reports, and poor report quality.

OIA officials told us that within the past year it has begun to develop this manual and that in its absence OIA is using a 1973 manual developed by the Atomic Energy Commission. ^{1/} They further indicated that most of the staff are experienced auditors and investigators, and the need for formal policies, procedures, or manuals has not been crucial.

The 1973 manual, however, principally provides guidance to auditors in reviewing operations of the Atomic Energy Commission and has little relevance to the management audits and investigations conducted by OIA. In addition, despite the experience of the OIA staff, most told us that a manual was needed to add consistency to the audit work and to the writing and processing of reports. In particular, the staff believed that formal guidance on the organization and physical makeup of reports would help them process reports and improve report quality.

^{1/}The Energy Reorganization Act of 1974 split the Atomic Energy Commission into the Energy Research and Development Administration (now a part of the Department of Energy) and the NRC.

We found that the physical makeup of OIA reports varied significantly. For example, while some audit reports had scope sections, conclusions and recommendations and were organized in a chapter format with a digest, many were not. Moreover, there is no policy or formal guidance on whether investigative reports should contain conclusions and recommendations. According to the OIA Director, he makes that decision based on his reading of each individual report. This leaves the investigators wondering whether to include or omit conclusions and recommendations when drafting reports.

For example, beginning in mid-1979, OIA started an investigation of alleged harassment of quality control inspectors by workers during the construction of the South Texas Nuclear Project. In its October 10, 1980, report, OIA found that the allegations of harassment were, in fact, old allegations that the NRC Office of Inspection and Enforcement had been aware of since 1977. More importantly, OIA stated that despite an ongoing NRC inspection and the recurring nature of many of the allegations, the Office of Inspection and Enforcement had not substantiated any of the allegations or identified any items of noncompliance until a special investigative team visited the South Texas project in 1980. At that time the Office of Inspection and Enforcement issued 22 notices of violations, a \$100,000 civil penalty, and an order to show cause why construction of the plant should not be stopped.

The OIA report, however, does not draw any conclusions about the adequacy of the Inspection and Enforcement program or why it permitted the situation at South Texas to continue for 3 years before corrective action was taken. Further, OIA did not address the safety of the South Texas plant considering the seriousness of the allegations. For instance, one of the substantiated allegations involved the alteration and falsification of records. The OIA report states that "it is OIA's opinion that a concerted effort by a team of investigators would uncover even more examples of records alteration/falsification." OIA's report, however, does not reach any conclusions or make any recommendations about this problem or what effect it might have on the reliability or the safety of the South Texas plant.

Instead, OIA's report merely hints at these two problems and leaves it to the reader to reach conclusions about the findings that were presented. In our view, OIA, after such an investigation, should do enough work to have a basis for making conclusions and recommendations, and, if not, should state in the report why conclusions could not be reached.

The investigative staff apparently agrees that guidance is needed because it began to develop a manual which discussed goals and objectives, criminal matters, sources of information and

organization and physical makeup of reports. The investigators said, however, that OIA management did not think the manual was needed and it was never finished.

OIA management said that although they agreed with the thrust of this section, some of the facts on which this section is based are incorrect. Specifically, they commented that (1) there are two distinct types of audit reports--bound, blue cover audit reports and audit memoranda--which generally follow the same basic format, and (2) conclusions and recommendations are intentionally excluded from its investigative reports to preserve the objectivity of the investigation.

During our review, we noted that both OIA auditors and investigators believed a manual was needed to guide them in preparing and processing reports. Because none exists, differences in report format have occurred. For example, some OIA audit reports have been issued without a table of contents, a section on scope and objectives, or a section on conclusions to support recommendations being made. Generally, the format of OIA's audit reports seemed to change based on the individual preference of OIA's three audit branch chiefs.

Regarding the omission of investigative conclusions and recommendations, we noted that, as early as 1976, the head of NRC's Office of General Counsel commented on the need for OIA to include such material in its reports. He said that to be most useful, the work products of OIA should be assimilated, organized, put into meaningful context, evaluated and result in some detailed recommendations for action. We agree with this and do not believe including conclusions and recommendations in investigative reports adversely affects OIA's objectivity.

Opportunities to improve the management control over assignments

Without formal policies, procedures, or manuals for the staff to follow, it is particularly important that OIA management exercise control over assignments. The techniques for this will vary by reason of the size, nature, and complexity of an office's operations. However, two steps should be included in any effective system of control--setting standards or goals to measure accomplishments and checking on performance. Both, we found, were missing from OIA.

Measuring accomplishments can be achieved in several ways, one of which is by establishing milestones on assignments. In this regard, we found a 1976 memo from the Assistant Director for Audits which outlines the need for OIA to keep a record of its success in achieving goals. He felt it important to know the reasons--such as additional assignments or loss of manpower--for an overrun of an individual plan. Thus, he requested that all audit branch chiefs provide him with a request and justification

for any slippage in an assignment. He further requested that, at approximately 6-month intervals, a total reassessment of milestone goals be made and adjustments initiated accordingly.

From our review of OIA, we found that this 1976 memo was never instituted. Instead, OIA management allows each assignment to proceed with little monitoring of the time and resources being spent. As a result, we believe the potential exists for a lack of productivity and, without milestones to measure accomplishments, a person could easily take 6 months to do a 3-month assignment.

Checking on staff performance also can be achieved in several ways, one of which is to hold periodic job reviews. OIA has a relatively small staff--20 members--who are centrally located, and such review sessions would not be difficult. It could serve as a vital management tool to assure that appropriate decisions are made on assignments and quality reports are issued. However, job review sessions or staff meetings have generally not been held. Instead, management has little involvement with an assignment until it receives the draft report. As a result, the staff believes that top management is generally unfamiliar with the assignment and consequently takes an unjustifiably long time to review the report.

Specifically, we found several reports that took months for OIA management to review. Because OIA does not document its report processing steps, however, we could not determine how widespread this was or the reasons for it. Nonetheless, the long review period, according to the staff, has affected not only the morale of the office but the timeliness of reports.

OIA management officials, in commenting on this report, said a new approach will be developed to adequately monitor assignment goals and slippages, but disputed our statement that the 1976 memo was never instituted. They said the memo was instituted for about one year after which it was discontinued because audits were frequently being interrupted and because it became practically impossible to track audits. Also, they disagreed that it takes an unjustifiably long time to review reports. Generally, they believed, the better quality reports are issued in a timely manner.

In our view, an admission by OIA that it was practically impossible for them to track audits over a period of time suggests the need for continuing a system that would monitor assignments rather than abandoning it. Also, as noted above, during our review, we noted several reports that took months for OIA management to review. While OIA says it issues its better quality reports in a timely manner, we believe that proper management control could help reduce the number of poorer quality reports and better ensure that these reports are also issued in a timely manner.

FOLLOW UP ON OIA REPORTS NEEDS IMPROVEMENT

An audit or an investigative report is most effective when management implements the report's recommendations. Thus, procedures must be established to routinely follow up on actions taken by management in response to a report's recommendations. While OIA does follow up on recommendations for some audit reports, the follow-up is not always completed in a timely manner. In contrast, we found the system for follow up on investigative reports is rarely used.

We have reported previously on problems of OIA following up on its audit report recommendations. Our report entitled "More Effective Action is Needed on Auditor's Findings--Millions Can be Collected or Saved" and dated October 25, 1978, showed that OIA (1) prematurely closed audit reports before corrective action was completed; (2) had no time frame for seeking comments on its reports; and (3) did not show the corrective action taken in its periodic status reports. 1/

Since the date of that report, NRC has taken actions to improve its response to recommendations set forth in audit reports. Specifically, NRC's Executive Director for Operations has established and implemented a system for tracking recommendations made by GAO, as well as OIA, reports. The system periodically prints out the status of recommendations and any corrective actions taken. Although this type of NRC management control and oversight is good, it does not eliminate the need for OIA to check on the accuracy of that system or assure that timely actions are, in fact, taken by program management.

In this context, we found that OIA has yet to establish and consistently adhere to a time frame for following up on its reports. One instance involved a report entitled "Review of License Renewal Process for Fuel Fabrication Facilities" which was issued in January 1978. As of October 1980--almost 3 years later--OIA has not followed up to see if the report's recommendations were implemented. We found other instances where recommendations were nearly two years old and had not been followed up by OIA.

For all investigative reports, NRC requires that office directors submit a statement in duplicate to the director, OIA, within 30 days after receipt of an investigative report, indicating what action has been taken on the investigative report or explaining why

1/This report looked at the unresolved internal audit findings from 34 Federal departments and agencies including NRC.

further action was not deemed necessary. We found, however, that NRC office directors were not adhering to this requirement nor was OIA encouraging the Commissioners to enforce it. As a result, there have been instances where NRC employees were given awards and promotions by office directors immediately after OIA had found the employees apparently guilty of misconduct.

Situations such as this not only reduce the morale of NRC employees who hear of them, but they also diminish the credibility of OIA. The director of OIA told us he did not have the investigative resources to follow up on past investigations. Although we agree that the small investigative staff presents a challenge in work scheduling to effectively follow up on past investigations, follow up should have a higher priority. Unless OIA assures that its recommendations are carried out, its effectiveness is severely hampered and the resources that were devoted to a particular investigation may not have been used very efficiently.

OIA management officials, in commenting on this report, agreed that in the past follow up efforts have not always been timely and said they have been working to improve follow up procedures in response to a recent GAO report. ^{1/} However, they disagreed with us on 3 specific examples that we provided orally to the OIA staff to support our position in this section. Thus, OIA provided us data to show when follow up had been made. After reviewing this data, however, we found that followup action had taken approximately 2 years, which coincides with the information presented in this section.

CONCLUSIONS

Over the last few years, OIA management has shown improvement but more needs to be done. Specifically, the overall effectiveness of OIA could be further enhanced by accepting and using several basic and widely recognized management techniques. These are essential in view of OIA's heavy workload and small number of staff. In the past, OIA has focused too much of its work on administrative and personnel matters rather than on the more important NRC programs. Improvements, therefore, are necessary.

First, OIA should adhere to OMB requirements and GAO guidance when planning and prioritizing its operations. This will better assure adequate audit and investigative coverage of NRC. Also, OIA needs to concentrate its investigative resources on work aimed at eliminating fraud and waste within NRC. In the past,

^{1/}"Agencies' Efforts to Improve Systems For Resolving Auditors' Findings--A worsening Condition while Billions Continue to Be Squandered," AFMD-81-27, 1/23/81.

OIA investigators told us they spend a large portion of their time evaluating employee complaints and equal employment opportunity allegations. We believe these two areas should be assigned to some other NRC office in order to allow the investigative staff to pursue fraud and waste cases. Because our review was limited to OIA, we did not attempt to determine what NRC office that might be. Further, OIA needs to avoid assigning auditors to investigative work and provide for more effective coordination between the audit and investigative staffs in identifying possible assignments.

Second, control over assignments needs to be improved which in turn will increase the efficiency and productivity of the OIA staff. OIA does not have its own audit or investigative manual even though, in 1975, its immediate plans included the development of a manual. As a result, audit and investigative reports lack consistency, and the investigative reports we reviewed were issued with no conclusions or recommendations.

Third, OIA needs a formal system to monitor the progress of assignments. Once OIA initiates audit assignments, it does not establish staff day requirements and milestones nor does it hold job reviews and staff meetings. Therefore, top management has placed itself in a position of being far removed from the progress of ongoing work with a poor perspective on accountability in the office.

Finally, reporting a finding, observation, or recommendation should not end OIA's concern with a matter. During our review, we found that OIA needs to establish and consistently adhere to a time frame for following up on its audit reports. Further, it needs to see to it that office directors respond in writing to OIA investigative reports.

In summary, we believe there are definite opportunities for improvement of OIA management. These opportunities pertain to accepting and using several basic management techniques. To the extent that this occurs, higher quality reports should result along with a better use of staff resources. Additionally, OIA should have a far greater impact on NRC activities.

RECOMMENDATIONS TO THE CHAIRMAN, NUCLEAR REGULATORY COMMISSION

To improve OIA's effectiveness, we recommend that the Chairman, NRC, require the Director of that office to

- develop a systematic planning and prioritization process for both audit and investigative work which complies with OMB criteria and GAO guidance;
- concentrate its investigative resources on work aimed at eliminating fraud and waste within NRC;

- avoid assigning auditors to investigative work;
- establish a process of coordination between the audit and investigative groups in identifying possible assignments, and clearly communicate that process to the OIA staff;
- develop formal guidance for the staff to follow in carrying out its work;
- institute a formalized system of control over assignments where milestones and staff resources are established for completing critical steps and periodic job reviews are held to evaluate the status of assignments; and
- establish and adhere to requirements regarding the follow-up on audit reports, and see to it that office directors respond in writing to OIA investigative reports.

In addition, we recommend that the Chairman, NRC, explore the possibility of assigning non-appropriate employee complaint cases and equal employment opportunity allegations to some other NRC office. This will allow the OIA investigative staff to give greater attention to eliminating fraud and waste within NRC.

AGENCY COMMENTS

In responding to our draft report, NRC provided us a two-page letter (see Appendix I) and we then met with the NRC Commissioners. We also received approximately 30 pages of comments from the OIA staff. All four of the Commissioners agreed in sending us the OIA comments but only two of the four concurred with the material contained therein. Nonetheless, we have carefully considered the OIA comments and included them in the body of the report, where appropriate, along with our evaluation. Because of the staff comments' length, they are not reproduced in full in Appendix I but are available upon request from GAO.

NRC expressed general agreement with the recommendations contained in this chapter. There were, however, 2 exceptions. NRC objected to our recommendations that it avoid assigning auditors to investigations--saying that it has not done so recently--and that the Chairman, NRC, explore the possibility of assigning employee complaint cases and equal employment opportunity allegations to some other NRC office--saying that it handles so little of this work. After a careful review of the material provided in support of NRC's objections to these recommendations, however, we continue to believe these recommendations have merit.

Regarding the first recommendation, we have updated the information in our report to show that, while improvements have been made, the balance between audits and investigations could be further improved to more accurately reflect the mix of OIA auditors to investigators. Concerning our recommendation on employee complaint cases and equal employment opportunity allegations, the OIA

investigators told us these two areas consume a large portion of their time. However, we were unable to determine the amount of time spent on these two areas because such records are not maintained. Although both areas are important, we believe neither makes maximum use of the 5 OIA investigators' background and experience. By assigning such work to some other NRC office it could allow equal emphasis to be given to these two areas and allow OIA's small investigative staff to pursue more appropriate work, namely, combating fraud and waste.

NRC also commented on the scope of our review, the basis of our evaluation and the apparent accuracy of some of the information in this chapter. Specifically, NRC said that the report

- provided no evaluation of the quality of OIA's audit, investigative, or inspection reports;
- presented inconsequential findings as major management shortcomings;
- included sections that failed to convincingly support the findings, conclusions and recommendations;
- failed to distinguish between the early years of OIA's existence and the more recent period; and
- had not given sufficient recognition to the small size of OIA.

Regarding report quality, this chapter contains several sections which address this subject. Specifically, we discuss that the OIA audit and investigative staff does not have appropriate policies, procedures, or manuals to follow in conducting their work. Additionally, we point out that OIA audit reports do not have the same format (i.e., some have conclusions and some do not) and OIA investigative reports have been issued with no conclusions or recommendations. Providing for a more consistent process in writing and processing reports will, in our view, result in more uniform, timely, and higher quality reports.

We also disagree with NRC's comment that our report characterizes inconsequential findings as major management shortcomings. To illustrate its point, NRC mentions our section on "OIA needs to fully comply with Office of Management and Budget (OMB) requirements." The OIA staff said it cannot comply with these requirements because the Congress, OMB and others have also required internal audit offices such as OIA to perform various types of administrative audits. Although we recognize that OIA has had other demands placed upon its work, we do not believe that these demands conflict with the requirements of OMB Circular No. A-73. Specifically, the need to do administrative audits must be considered in the planning process required by the OMB circular. The fact that OIA must do these types of audits does not eliminate the need for good planning. In addition, the circular does not make any exceptions for the size of the audit function. In our

view, the requirements in the OMB circular are just as applicable to a small audit organization of the size of OIA as to a larger one.

We disagree with the NRC contention that our report included sections that failed to convincingly support the findings, conclusions, and recommendations. In fact, NRC gave us conflicting comments on this point. On the first page of its comments (p. 36), NRC states that there are some areas of our draft report that cannot be disputed and mentions following up of audit reports as an example. Yet on the second page of its comments (p. 37), NRC uses following up of audit reports as an example of where the draft fails to convincingly support the findings, conclusions, and recommendations.

We disagree with the NRC contention that our report failed to distinguish between the early years of OIA's existence and the more recent period. This report concentrates on the problems which, we believe, continue to exist in OIA today, and is by no means a discussion of past problems or inadequacies. To the extent, however, that this point has not been conveyed to the reader, additional information has been presented in the report.

Finally we disagree with the NRC contention that the report has not given sufficient recognition to the small size of OIA. We acknowledge the size of OIA in our report. What we don't acknowledge, however, is that OIA's small size is justification for not accepting and using certain aspects of good management. With OIA's limited resources and heavy workload, it is even more important to properly plan, prioritize, and control activities. This better ensures that the right work is being done at the right time.

CHAPTER 3

OIA'S INDEPENDENCE NEEDS

TO BE STRENGTHENED

If Government agencies are to receive the full benefits of internal audits and investigations, these functions must be located at a sufficiently high organizational level to ensure that they are insulated from internal agency pressures. This permits the auditors and investigators to independently report their conclusions without fear of censure or reprisal.

OIA reports directly to the Commission and is thus organizationally independent. We noted, however, that the method OIA uses to develop and process reports on its work could be improved to better assure OIA independence. Specifically, we found several instances where findings, conclusions, and/or recommendations were revised or deleted primarily because NRC program officials disagreed. We also discovered that OIA routinely allows program officials to exceed deadlines in commenting on OIA reports, particularly if a disagreement or misunderstanding exists. Further, we found certain instances where OIA reviewed and apparently approved program office comments before accepting them and including them in its reports. Lastly, we noted certain instances where OIA undertook joint investigations with other program offices. These points, collectively, indicate that OIA's independence needs to be strengthened.

The following sections discuss these points in more detail.

OIA'S METHOD OF PROCESSING AUDIT REPORTS COMPROMISES ITS INDEPENDENCE

Before an OIA report is issued, it is normally forwarded to the affected NRC program office for review and comment. This, in our view, is a legitimate process for ensuring that draft reports are factually correct and based on sound and logical analysis. More importantly, it offers responsible program officials the opportunity to either agree or disagree with the findings, conclusions, and recommendations of the draft report and to identify corrective actions, if any, they plan to take.

Incumbent in such a process, however, is a need to ensure that program officials do not unnecessarily delay issuance of the report by providing untimely comments, or exert such influence that the objectivity or factual accuracy of the report can be questioned. To do this, it is imperative that the process be conducted openly and that changes to the draft report be well documented. During our review, however, we found that OIA's process to obtain comments on draft reports could be improved to better assure independence and objectivity.

For instance, when OIA first sends a draft report to program officials for comment, it has not yet been reviewed or approved by OIA's top management. Thus, it is called a "preliminary" draft report and has no official standing within the OIA office. On the surface, there is nothing particularly wrong with this. However, the OIA staff has been instructed not to maintain an official file of these "preliminary" drafts or the informal comments they might receive from program officials. Thus, there is no official record at OIA of the "negotiations" with program officials or changes made to the "preliminary" draft report as a result of their comments. This is particularly important because OIA management will generally not permit a "preliminary" draft report to proceed until the responsible program office has agreed with the facts, conclusions, and recommendations. We believe this process is not conducive to obtaining and incorporating program office comments in a timely and responsible fashion while still assuring total independence by OIA.

To illustrate this point, one NRC program official told us that because his office did not agree with a preliminary draft, OIA intentionally removed information and cast his office in a better light than it deserved. This official said he had brought this to our attention realizing that he was indirectly criticizing his own office. However, his concern was that if OIA had diluted this report, then it may also be doing so on more significant projects such as the review of the Three Mile Island accident.

The present OIA director acknowledged that certain compromises and/or negotiations may have occurred in the past, but stressed that is not the case today. Based on our review of preliminary drafts that had been informally maintained by the OIA staff and NRC program officials, however, we believe that certain changes are still being made which detract from OIA's independence. The following two examples illustrate situations in which compromises have apparently occurred under the past and present directors.

1. Intermittently from December 1977, to April 1978, OIA performed a review of NRC's public document room activities. The purpose of the review was to determine whether the public document room was efficiently and effectively managing its document systems and its microfiche efforts, and whether the recommendations of a special task force to consolidate NRC document management into one office had been carried out.

As early as May 1978, a "preliminary" draft of the OIA report had been completed which listed a total of 23 recommendations directed to the Office of the Secretary of the Commission. Twelve of the recommendations were based on findings that (1) the document control and file control systems were not adequate to prevent an individual from introducing, altering, or

removing documents located in the public document room files and (2) the public document room needed to establish a system to reduce and control the size of its holdings. These 12 recommendations, along with 9 others--for a total of 21--were deleted from the official draft report given to the Office of the Secretary for formal comment.

From our discussion with a member of OIA management, these recommendations were deleted because the Secretary strongly objected to the preliminary draft report and put pressure on OIA to make changes. Because of this, the official draft report, according to the OIA management member, was "watered down to nothing."

Our review showed that the period of time from the preliminary draft (which we obtained from one OIA staff member's personal file) to the official draft was a total of 5 months and 1 week. We found no evidence to explain the lengthy OIA management review. However, we noted that when the official draft was issued--on October 25, 1978--it mentioned that its reason for not making recommendations in certain areas was because the Office of the Secretary had initiated corrective action during the preparation and processing of the report.

In commenting on this example, OIA said the time between May and September 1978 was taken up by management review and additional audit work. The reason for this was that the May 1978 draft was unacceptable to OIA management and required extensive review and a complete rewrite. Also, OIA said the member of OIA management--alluded to in our example--now insists he did not make and in fact, does not agree with the statements attributed to him.

During our review, we found no evidence to explain the lengthy management review of this report. Consequently, we talked with those who directly participated in the audit work and in preparing the draft. Our discussion of this report clearly reflects the views of more than one OIA staff member.

2. In its report of August 10, 1979, OIA found that the NRC official entertainment fund was operating in accordance with its intended purpose. However, it noted a lack of adherence to NRC guidelines and administrative deficiencies in preparing and submitting vouchers for official entertainment functions. Also, according to the OIA report, better controls were needed over the NRC liquor inventory.

Still, neither the final report nor the official draft sent to the Executive Director for Operations for agency comment included a finding and a recommendation that was a part of the preliminary draft. The finding explained that an excessive number of NRC employees had been in attendance at many entertainment functions which was not in accordance with NRC guidance. Based on this guidance, excessive NRC employees were at entertainment functions about 50 percent (39 out of 80 cases) of the time.

During our review, we spoke with program officials about the finding and recommendation that was in the preliminary draft but deleted from the official draft and the final report. According to the officials, they convinced OIA that the NRC guidance was hard to enforce all the time. When we questioned the OIA branch chief about this matter he said he did not know why the finding and recommendation were deleted.

OIA management said the distribution of preliminary draft reports to agency officials was intended to serve as an exit conference. The preliminary drafts, OIA contends, sought to determine if the officials agreed with the facts as presented and if the officials had new information to be reflected in the report.

In our view, preliminary drafts have been used primarily to reach agreement on reports. This is further supported by a 1977 internal OIA memo which discusses OIA's report on NRC sole source contracts. In the memo, the then deputy director of OIA said the audit staff should take the report to the responsible officials involved, clear it with them, and then take it to the Executive Director for Operations, all informally. When all the kinks are worked out and the Executive Director is willing to give OIA the two paragraphs saying "we generally concur," the memo states, then the audit staff should submit the report to OIA management for official concurrence. If the Executive Director is willing to generally concur, the deputy director is quoted in the memo as saying, then he probably would not change anything. The memo indicates that the audit staff asked if this was going to be the standard policy or procedure for handling reports from now on, and the deputy director stated that it would. During our review, we found no evidence that the policy established by this memo had been discontinued.

OIA allows program officials
to exceed deadlines

After the "preliminary" draft report is agreed to by NRC program officials, it is reviewed and revised, as necessary, by OIA management and officially sent back to the program office

for official comment. Normally the program office has little disagreement with the "official" draft, since most problems have been resolved at the "preliminary" draft stage. Nevertheless, program offices have historically exceeded the normal 2-week deadline established by OIA for commenting on the reports--particularly if a disagreement or misunderstanding still exists.

For instance, we reviewed 34 audit reports and found that the average comment period was 46 days, including 9 which exceeded 60 days. Only on one report did OIA receive comments prior to the requested 2-week deadline. More importantly, however, OIA does not generally issue reports to the Commissioners without official program office agreement. Thus, the program offices can (and sometimes do) delay the reports if not completely satisfied with their presentation, conclusions, and/or recommendations. This also puts the OIA staff in the awkward position of having to reach agreement with the program office before the report can be issued.

OIA reviews and approves official comments

During our review of the 34 audit reports, we found two instances where OIA apparently rejected the official program office comments and returned them for revision. This was done, according to OIA's officials, to give the program office a chance to provide more appropriate comments.

In one case, OIA officials felt the comments were so badly done that the program office, in disagreeing with most of the recommendations, would have looked much worse than portrayed in OIA's report. Thus, OIA critiqued the comments and met with the program officials to show them just how embarrassed they would be if the comments were included in the report. At that point, the officials were permitted to send a second set of comments which agreed with the recommendations. In the other case, OIA provided marginal notes on the first set of comments and suggested areas that should be deleted.

This type of action, in our view, raises questions about OIA's independence from the program offices it is responsible for auditing. By itself, it may be a small point but taken together with previous points it makes a case for greater independence at OIA.

OIA management, however, in commenting on this report, disagreed with our position on the two cases. In the first case, OIA said the program officials were non-responsive to the audit findings. Consequently, several meetings were held with these officials and a commitment was obtained to take corrective action without having to elevate disagreements to the Commissioners. In the second case, OIA said it obtained verbal comments from nine program officials and that these comments were critiqued so that the report could

be revised and given to the Executive Director for Operations for final comment.

We disagree with the explanation provided by OIA on these two cases. In the first case, we see nothing wrong with OIA elevating problems between itself and the NRC program offices to the Commissioners. To the extent it does not, it raises the question as to the agreements it may be reaching during the "several meetings" held with program officials.

In the second case, we found more evidence than what OIA suggests in their comments on our report. Specifically, we located in the OIA files a draft memo from the Executive Director for Operations commenting on the OIA report. Annotated in the margin of this memo was wording such as "suggest dropping this." When we brought this to the attention of the responsible OIA audit branch chief, he declined comment.

IN SOME CASES, OIA HAS COMPROMISED
ITS INDEPENDENCE BY CONDUCTING JOINT
INVESTIGATIONS

On some occasions, OIA has been instructed by the Commission to work on investigations with NRC's Office of Inspection and Enforcement. This is the Office that inspects nuclear powerplants and investigates unusual occurrences at those plants. This type of action, however, could jeopardize OIA's ability to independently assess the current and future actions of the Office of Inspection and Enforcement.

Two of these investigations were at the Three Mile Island and South Texas Project nuclear powerplants. While everyone is familiar with the accident at Three Mile Island, the investigation at the South Texas Project involved the alleged harassment and physical abuse of quality control inspectors by plant workers. (See page 15.) This was the subject of a previous Office of Inspection and Enforcement inspection beginning in 1977 and received much publicity from the news media.

In both cases, the OIA staff was used primarily to supplement the Inspection and Enforcement staff. According to the then NRC Chairman, this was done because the Commission felt that the health and safety of the public could best be served by combining the resources of two offices and getting the job done more quickly. In addition, the Chairman said that the Office of Inspection and Enforcement might have been partially responsible for the problems at Three Mile Island and the South Texas Project. Thus, the Chairman thought it appropriate for OIA to be involved in some capacity even if in a subordinate role.

We believe, however, that OIA's involvement in these two investigations was improper considering its independent status within NRC and its responsibility to oversee the NRC office with which it has now become directly involved. At a minimum, OIA cannot reasonably evaluate the adequacy of these two investigations without drawing suspicion to its motives and independence. In addition, continued use of OIA in this manner could threaten the objectivity of its audits and investigations in general and reduce its overall stature within NRC.

In this regard, a statutory Inspector General in another agency told us his office would never undertake a joint investigation because of the conflict of interest implications. OIA, however, is responsible directly to the Commissioners and must respond to their direction. Thus, it does not have as much control over its activities as would a statutorily created Inspector General.

OIA management, nonetheless, in commenting on our report, took exception to our two examples of joint investigations. In the first one on the Three Mile Island accident, OIA said there have actually been two investigations in which OIA has played a part. But of these two, one involved OIA officially transferring its people to another group and the other was an assignment of an emergency nature in which an official transfer of people was not possible. In the second example on the South Texas situation, OIA contends this was not a joint investigation nor was OIA staff used to supplement the NRC Office of Inspection and Enforcement effort.

We disagree with the explanations provided us by OIA on the two examples. In the Three Mile Island situation, we acknowledge that the accident itself was of an emergency nature but do not agree that NRC's subsequent investigation of that accident could also be considered an emergency. Also, just because the staff is officially transferred to another NRC office does not eliminate the possible loss of independence if and when the staff returns to OIA. In the South Texas situation, the OIA investigative staff informed us that the director of OIA ordered the principal OIA investigator looking into the problems there to participate in a special Office of Inspection and Enforcement task force set up to review the South Texas matter. This, we believe, constitutes a joint investigation.

NRC MAY NEED A STATUTORY OFFICE OF INSPECTOR GENERAL

The Inspector General Act of 1978 (Public Law 95-452) established Offices of Inspectors General at 12 Federal departments and agencies.^{1/} Each of these offices is headed by an Inspector General who is appointed by the President and confirmed by the Senate. The Inspector General reports to and is under the

^{1/}Congress added an additional Inspector General at the Department of Education in 1979.

general supervision of the head of the department or agency. However, the department or agency head cannot prohibit, prevent, or limit the Inspector General from undertaking and completing any audits or investigations which the Inspector General deems necessary.

The Congress intended for the Inspectors General to have the requisite independence to do an effective job. The Inspector General derives additional independence from the fact that the agency head can add his or her comments to the semi-annual reports that are required to be sent to Congress but cannot prevent them from going to Congress nor change their contents.

In 1977 we were requested to determine whether NRC should have an Office of Inspector General. In our report, ^{1/} we said that NRC was too small to support that type of organization in the proposed bill. For instance, the bill not only proposed an Inspector General but also a Deputy and two Assistant Inspector Generals. At the time we considered such a move unnecessary, considering the size of NRC's organization and budget.

Since then, the accident at the Three Mile Island nuclear powerplant and other critical problems, such as the safe disposal of nuclear waste, have heightened the desire for greater visibility over NRC activities. To enhance public trust in the regulation of commercial nuclear power, an Inspector General office should now be considered.

This independent office could better evaluate NRC's performance; combat fraud, waste, abuse, and mismanagement; and assure that both Congress and the NRC Commissioners receive objective information on problems involving nuclear activities. It would also help resolve questions about OIA's independence raised in previous sections of this chapter.

During this review we talked with the Commissioners about the effectiveness of OIA and the need for an Inspector General office at NRC. The then Chairman said that the Commission has not in the past paid much attention to OIA or what it was doing. He said that it was even hard to get the Commissioners together to listen to OIA's 1980 audit plan. Although he said he reads the majority of OIA reports, he believed he is the only Commissioner to do so. Regarding the need for an Inspector General office, he saw no great need for one. He said that OIA has been quite effective and, despite being understaffed, has been doing a fine job. He further commented that NRC's Commission

^{1/}Letter report to "The Honorable John D. Dingell, Chairman, Subcommittee on Energy and Power, Committee on Interstate and Foreign Commerce, House of Representatives," dated July 19, 1977.

structure helps OIA's independence because the Commissioners have historically had difficulty in agreeing on issues.

A second Commissioner said he scans OIA's monthly activity report which lists ongoing and recently completed assignments, but very seldom reads OIA reports. He said that in reviewing the monthly activity report, he wonders why OIA does the work they do. However, he felt OIA was independent.

A third Commissioner said that the Commission has not asked OIA to look into a lot of management areas and maybe they should. He said that OIA reports have traditionally been on low priority issues. He also said that there has never been a Commission meeting to determine what OIA's role should be. Nonetheless, he also felt OIA was independent.

A fourth Commissioner said that the OIA office should be more independent of the line organization and needed stronger guidance and support from the Commission. Also, while he was disappointed that OIA reports did not deal with more substantial issues, he felt OIA has done some very good work recently. Further, he said his assistant reads each report and briefs him on significant items. As far as establishing an Inspector General's Office at NRC, he had no strong feelings one way or the other. He said that he would like to maintain a certain amount of management control over OIA but with an Inspector General he probably would not be able to do so.

CONCLUSIONS

Organizationally OIA is independent in that it does not have any vested program interest and reports directly to the Commission. In addition, we were unable to determine whether pressure was placed on the OIA staff to avoid possible controversial or sensitive areas within NRC. However, functionally we have found examples where OIA's independence should be strengthened.

The problem centers around how OIA develops and processes reports on its work. "Preliminary" drafts on its audits are routinely sent informally to NRC program offices to reach agreement before the official draft is forwarded for comment. This has placed the OIA staff in an awkward position because OIA management has been reluctant to issue reports when a program office is in disagreement with the report. Because these activities occur before the final report is sent to the Commission, the Commissioners are not fully aware of the situation nor are they getting completely objective appraisals of NRC's programs or activities.

We found certain instances where findings, conclusions, and/or recommendations were revised or deleted primarily because NRC program officials disagreed. Also, we discovered that OIA routinely allows the program offices to exceed deadlines for

commenting on its reports particularly if a disagreement or a misunderstanding exists. Further, we found other instances where OIA reviewed and approved the program office's comments before accepting and including them in its reports.

Lastly, we noted several instances where OIA supplied staff to work on investigations with other program offices. Two of these investigations were significant--the Three Mile Island accident and the recent South Texas Nuclear Project. These joint investigations created a possible conflict of interest because the office OIA was working with could have been at fault.

The preceding points, when taken collectively, raise the issue of greater independence at OIA. This, in our view, only may be possible if NRC accepts and implements the recommendations contained in this report. We also considered the option of Congress creating a statutory Office of Inspector General at NRC. Such an office could help ensure that the Congress and the Commissioners receive objective information on problems within NRC and enhance public trust in the regulation of commercial nuclear power. Also, because of the accident at Three Mile Island, the public has an increased desire for visibility regarding NRC activities.

RECOMMENDATIONS TO THE CHAIRMAN, NUCLEAR REGULATORY COMMISSION

We recommend that the Chairman, NRC

- initiate immediate action to establish a more formal process for seeking agency officials' comments on OIA draft reports. Any exception to this formal process--such as the use of an informal draft to obtain comments--should be clearly disclosed in the final report.
- direct OIA to issue its reports if program offices are untimely in providing their comments and require OIA to reflect in its reports any changes made based on program office comments.
- discontinue the practice of OIA conducting joint investigations with other NRC offices.

MATTERS FOR CONSIDERATION BY THE CONGRESS

In view of the critical importance of effective and efficient regulation to the future of commercial nuclear activities, Congress should consider establishing an Office of Inspector General at NRC.

AGENCY COMMENTS

In commenting on our report, we obtained a two-page letter from NRC and then met with the four NRC Commissioners. We also received approximately 30 pages of detailed comments from the NRC staff (see p. 21).

NRC expressed general disagreement with two of the three recommendations contained in this chapter. Specifically, NRC disagreed with our recommendation that it discontinue the procedure of sending informal draft reports to agency officials for comment on the grounds that we had not supported the finding that such a process has compromised OIA's independence. Also, NRC disagreed with our recommendation that OIA discontinue the practice of conducting joint investigations with other NRC offices by denying that OIA has conducted joint investigations. In each case, NRC does not so much dispute the recommendation as it questions whether the information presented in the report justifies the recommendation.

To support NRC's objection to our recommendation regarding informal draft reports, the OIA management provided us several pages of comments which, in their view, show that their independence has not been compromised in any way. We have reviewed those comments and incorporated them in the body of our report, where appropriate, along with our evaluation of them. We have also included an additional example to support our case. After doing this, we believe sufficient information exists to support our position that OIA's independence should be strengthened. Even if we had not found unexplained changes being made in OIA's reports, the method used in processing audit reports raises certain questions about the independence of OIA.

Regarding the issue of whether or not OIA conducts joint investigations, the then Chairman of NRC agreed that OIA had jointly participated in work with other NRC offices. However, he defended this on the basis that the OIA staff possessed a certain degree of expertise needed in the particular work and that, as the chief executive officer, he had a duty to use staff resources with maximum effectiveness. While we do not dispute that, we do not believe it justifies the loss of independence that subsequently results from such joint activities. The other NRC Commissioners gave us a range of views from agreeing with us that joint investigations should be avoided to ambivalence on the subject.

As an additional note, each of the four Commissioners expressed to us their reservations about creating an Inspector General office at NRC. Their reservations, it seemed to us, stemmed from a desire to retain the OIA office as a necessary management extension of themselves in overseeing the programs and activities of NRC. This, we believe, is an understandable position. However, this same position could be used to argue against the creation of an Inspector General office at any agency.

More to the point, the establishment of an Inspector General office at NRC must be based on two factors--the relative independence exhibited by OIA and the nature of NRC's mission. In the aftermath of the Three Mile Island accident, such an office might improve oversight and help ease concerns over the relative safety of commercial nuclear power.



OFFICE OF THE
CHAIRMAN

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555

APPENDIX I

May 20, 1981

Mr. J. Dexter Peach, Director
Energy and Minerals Division
U.S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Peach:

This is in response to your April 8, 1981, request for comments on the General Accounting Office's (GAO) draft report entitled "Improvements Needed in the Nuclear Regulatory Commission's Office of Inspector and Auditor (OIA)."

We found that in some areas of the draft report, GAO's identification of needed improvements cannot be disputed. Specifically, we refer to the recommendations dealing with better management control over assignments, strengthening OIA's system regarding follow-up on audit reports and providing more formal guidance to auditors and investigators.

At the same time, we take issue with numerous statements in the report. This was particularly true with respect to the sections of the draft report that dealt with "OIA has not concentrated on work that would detect fraud and waste," "OIA'S METHOD OF PROCESSING AUDIT REPORTS MAY COMPROMISE ITS INDEPENDENCE," "OIA reviews and approves official comments" and "IN SOME CASES, OIA HAS COMPROMISED ITS INDEPENDENCE BY CONDUCTING JOINT INVESTIGATIONS." In this regard we have provided specificity in the Enclosure.

While the stated purpose of the audit was to evaluate the effectiveness of OIA, no evaluation was made of the quality of audit, investigative, or inspection reports issued since 1975; thus, the entire basis for evaluation was not what OIA has accomplished but rather, what OIA has not accomplished. Additionally, relatively inconsequential findings are characterized as major management shortcomings, such as in the sections on "OIA needs to better comply with Office of Management and Budget requirements" and "OIA could maintain a better balance between audits and investigations."

We found that in many cases the draft report fails to convincingly support the findings, conclusions and recommendations contained therein. Specifically, we refer to GAO's findings regarding OIA's audit planning process, OIA's follow-up system for reports and establishment of an Office of Inspector General at NRC.

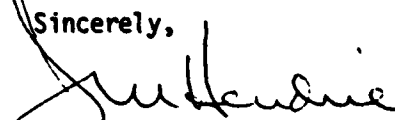
We found the draft report fails to clearly distinguish between the early years of OIA's existence during which it was maturing, and the more recent period of its operation. Similarly, in identifying the need for more formal procedures and guidance to the staff, sufficient recognition is not given to the relatively small size of OIA, particularly in regard to the management span of control.

Enclosed are detailed staff comments on the draft report which are concurred in by Chairman Hendrie and Commissioner Ahearne. They have been organized according to the side captions contained in the report. In addition, general comments on each of the recommendations are contained in the Enclosure. The report digest is not addressed since it merely summarizes the same information contained in the report.

Commissioner Bradford has provided you with his basis for doubting the need for an Inspector General. He would not agree with eliminating all possibility of combined investigatory work with other offices.

We appreciate the opportunity to comment on this draft report.

Sincerely,



Joseph M. Hendrie

Enclosure

GAO NOTE: Because of their length, the approximately 30 pages of NRC staff comments are not reproduced in full in this report but are available upon request from:

U.S. General Accounting Office
Energy and Minerals Division
441 G Street, N.W.
Washington, D.C. 20548

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